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Keynote Capital

LEMON TREE (BUY)

Target: ₹165
CMP: ₹141.25
In Q4 FY25, Lemon Tree Hotels (LTH) reported a 16 per cent revenue growth on a y-o-y basis, with EBITDA margins expanding by 154 bps to 53.9 per cent. This performance aligned with a 15 per cent increase in RevPAR on a y-o-y basis. Notably, occupancy rose by 560 bps to 77.6 per cent, while ARR grew by 7 per cent in Q4-FY25, driving the overall RevPAR growth.
The management fees also increased 8 per cent year over year and reached ₹44.30 crore in Q4-FY25. In Q4FY25, 15 new management contracts were added, bringing the pipeline rooms to about 6,850, compared to about 4,150 in Q4FY24. This strong management pipeline growth is expected to drive EBITDA margins in the coming years.
LTH continues to strengthen its growth trajectory by expanding its pipeline through management contracts, which offer high-margin, asset-light revenue streams. The nearing completion of renovation across its entire owned portfolio is also expected to significantly boost both revenue and EBITDA margins through improved ARRs and occupancies.
Factoring in the improving margin profile, stable balance sheet, and expanding managed portfolio, we have revised our estimates and maintain a Buy rating on LTH with a target price of ₹165, based on 19x FY26E EV/EBITDA.